



Memorandum

TO: Mayor and City Council**FROM:** Vice Mayor Cindy Chavez
and Councilmembers Nora
Campos and Nancy Pyle**SUBJECT:** SEE BELOW**DATE:** May 3, 2005**APPROVED:****DATE:** 5/3/05**SUBJECT: ACCEPTANCE OF THE STATUS REPORT ON LIVING WAGE ISSUES RELATED TO
THE AIRPORT RENTAL CAR AGREEMENTS**

RECOMMENDATION

That the City Council direct staff to negotiate an extension to the current agreements with the rental car companies that requires the implementation of the San Jose Living Wage Policy in accordance with one of the following two phase-in plan options:

1. A. Phase 1 -- By September 1, 2005, all employees earning less than a living wage will receive a raise equal to 50% the difference between their hourly pay and the living wage.
- B. Phase 2 -- By March 1, 2006, the full living wage level will apply.

or

2. Single Phased Implementation of the living wage level by January 1, 2006.

BACKGROUND

In the memo from airport management of April 27, it is reported that the rental car companies request that application of the living wage policy be deferred until their relocation to the FMC site in February of 2007 in order to permit them time to plan and the opportunity to secure operational efficiencies following that change. However, delaying the implementation of the living wage policy in this manner would require that car rental company employees wait nearly two years before receiving any benefit from the city's policy. San Jose first adopted its living wage policy in 1998. Workers at these firms have already had to wait 7 years to enjoy protection afforded to other employees that contract with the city. Some movement towards bringing their compensation to a living wage is justified in the near term. This memo offers a compromise proposal that recognizes the

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need of the rental car companies for some delay, while acknowledging the need of the employees for economic improvement.

In considering the effects of this proposal, there are reasons to expect that the car rental companies have the capacity to adjust rates to offset the impact of higher labor costs. The fact that the firms energetically support an increase in the CFC fee of \$5.00 per rental indicates they project a uniform increase in price will not significantly reduce customer demand. This conclusion is buttressed by the fact that a number of rental car companies (Hertz, Avis, Thrifty, Dollar) have lower prices at San Jose Airport than at SFO or Oakland.

Also, the staff memo notes that one of the reasons the San Jose rental car companies have more "hikers" on their payrolls is that the companies shift vehicles between the Bay Area airports in accordance with fluctuations in customer demand. This is undoubtedly a sound business practice, but it is one that benefits the parent firms of the car rental companies. It is unclear why San Jose outlets alone should be charged for such a practice. Moreover, a practice benefiting car rental companies that operate at all Bay Area airports should not be used as a justification to deny to employees at San Jose airport the living wage protections available to workers in Oakland and SFO.

COORDINATION:

This memo has been coordinated with the City Manager's Office and City Attorney's Office.